

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of West Bloomfield	County Oakland
Audit Date December 31, 2003	Opinion Date June 25, 2004	Date Accountant Report Submitted To State: June 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Charter Township of West Bloomfield Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2003**

Charter Township of West Bloomfield

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Charter Township of West Bloomfield

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Independent Auditor's Report

To the Board of Trustees
Charter Township of West Bloomfield
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of West Bloomfield as of and for the year ended December 31, 2003, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of West Bloomfield as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A member of



A worldwide association of independent accounting firms

To the Board of Trustees
Charter Township of West Bloomfield
Oakland County, Michigan

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003.

Plante & Moran, PLLC

June 25, 2004

Charter Township of West Bloomfield

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of West Bloomfield's financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2003. Please read this in conjunction with the Township's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements, by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of December 31, 2003:

	Governmental Activities	Business-type Activities	Total
Current assets	\$ 40,128,704	\$ 6,501,032	\$ 46,629,736
Noncurrent assets	31,045,346	109,892,605	140,937,951
Total assets	71,174,050	116,393,637	187,567,687
Current liabilities	27,582,865	2,172,395	29,755,260
Long-term liabilities	11,244,600	2,252,135	13,496,735
Total liabilities	38,827,465	4,424,530	43,251,995
Net assets:			
Invested in capital assets -			
Net of related debt	17,804,467	92,167,755	109,972,222
Restricted	7,451,934	15,165,507	22,617,441
Unrestricted	7,090,184	4,635,845	11,726,029
Total net assets	<u>\$ 32,346,585</u>	<u>\$ 111,969,107</u>	<u>\$ 144,315,692</u>

Charter Township of West Bloomfield

Management's Discussion and Analysis (Continued)

The governmental activities column represents all activities of the Township other than its Water and Sewer Fund (reported as business-type activities) and its fiduciary activities (funds held for the benefit of others, such as pension assets and retiree health care assets held for the payment of future employee benefits). The Township's governmental net assets increased approximately \$2 million from a year ago - from \$30,416,703 to \$32,346,585. As discussed below, this is attributable primarily to the increased millage for public safety purposes. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) decreased by approximately \$850,000 for the governmental activities. This is generally consistent with the reduction in General Fund fund balance, as discussed below. The current level of unrestricted net assets for our governmental activities stands at approximately \$7,090,000, or about 25 percent of general revenues.

Business-type net assets (the Water and Sewer Fund) remained approximately the same as the prior year. The unrestricted portion of net assets is approximately \$4,656,000, which is approximately \$1,700,000 below the target set by the Township to operate the system efficiently. As discussed below, this is the result of lower usage and increased costs during the 2003 fiscal year.

The following table shows the revenue and expense activity during the current year:

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 5,212,043	\$ 16,936,793	\$ 22,148,836
Operating grants and contributions	357,952	469,223	827,175
Capital grants and contributions	-	1,413,664	1,413,664
General revenue:			
Property taxes	22,093,522	-	22,093,522
State-shared revenue	5,195,691	-	5,195,691
Investment earnings	442,289	251,698	693,987
Franchise fees, cell tower leases, other unrestricted revenue	944,601	281	944,882
Total revenue	34,246,098	19,071,659	53,317,757
Program Expenses			
General government	6,063,243	-	6,063,243
District Court	838,927	-	838,927
Public safety	21,508,974	-	21,508,974
Public works	1,147,784	-	1,147,784
Community and economic development	921,833	-	921,833
Recreation and culture	1,486,205	-	1,486,205
Interest on long-term debt	349,250	-	349,250
Water and sewer	-	19,284,699	19,284,699
Total program expenses	32,316,216	19,284,699	51,600,915
Change in Net Assets	\$ 1,929,882	\$ (213,040)	\$ 1,716,842

Charter Township of West Bloomfield

Management's Discussion and Analysis (Continued)

Governmental Activities

During 2002, the Township's voters approved an extension of the Township's special-voted millage for police and fire services, as well as an increase in the amount of the levy from 1.90 mills to 3.22 mills. This levy was included on the December 1, 2002 tax bills, which are recognized as revenue in the 2003 fiscal year. This increased 2003 property tax revenue by approximately \$4 million over 2002 levels.

As a result of this millage, the Township has increased its police and fire staffing levels, is improving the police department facility, and is building fire station number 5. In addition, effective July 1, 2003, the Township began a joint venture with the cities of Keego Harbor, Orchard Lake Village, and Sylvan Lake that will provide substantially increased services to the Township's northeast section. As a result, police and fire related expenses increased approximately \$1.5 million in 2003.

Business Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. Usage fees were held constant during 2003, based on the positive results of the prior year. During 2003, water usage decreased approximately 11 percent, due to a wet summer. In addition, the City of Detroit (our water provider) has made improvements to its master meter reading equipment, and this has resulted in an increase in billed usage of approximately 9 percent. As a result, the water and sewer system experienced an operating loss of approximately \$2,300,000. As discussed below, the Township has increased the rates as of July 1, 2004.

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2003 include the General Fund, the Public Safety Fund, and the Public Improvement and Building Fund.

The General Fund pays for most of the Township's governmental services. The most significant are police and fire, which incurred expenses of approximately \$21,400,000 in 2003. The General Fund is supported primarily by property taxes and state-shared revenue. The Public Safety Fund accounts for the collection of the special-voted millage for police and fire services. The fund transfer funds to the General Fund to reimburse it for the cost of the additional police and fire personnel hired since the initial millage was enacted. In addition, the fund is paying for capital improvements, such as the renovation of the police facility and the construction of fire station number 5. The Public Improvement and Building Fund accounts for funds set aside from the General Fund for future capital outlay. The purpose is to accumulate the necessary amounts to fund capital outlay on an even basis over the years, so as not to require unusual General Fund spending in any one year.

Charter Township of West Bloomfield

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to decrease the estimated state-shared revenue by \$770,000. This was the result of budget problems of the State of Michigan, due primarily to decreases in income tax and single business tax revenue. The Township reacted to this by decreasing its budgeted expenditures in most departments. As a result, the general government expense decreased approximately \$150,000, public works decreased approximately \$263,000, and the contribution to retiree health care decreased by approximately \$516,000. Despite these cost reductions, General Fund expenditures exceeded revenues by \$942,000.

Capital Asset and Debt Administration

At the end of 2003, the Township had \$114,300,000 invested in a broad range of capital assets, including buildings, bike paths, police and fire equipment, and water and sewer lines. During the current year, the Township began two significant projects: the construction of fire station number 5 (which will include a headquarters) and the addition/renovation of the police station. During 2003, approximately \$1,300,000 was incurred for these two projects; we expect to spend an additional \$3,500,000 in 2004 to complete the two projects.

Economic Factors and Next Year's Budgets and Rates

The Township's 2004 fiscal year budget calls a continued freeze on hiring new employees, and further reductions in any nonessential costs. This is necessary because of the continued shortfall in state-shared revenue and interest income, as well as the increases in employee health care coverage costs.

The water and sewer system will be raising its rates approximately 10 percent effective July 1, 2004. The increase is intended to return the water and sewer system to the desired level of working capital over a two-year period.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

Charter Township of West Bloomfield

Statement of Net Assets December 31, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 23,819,786	\$ 2,717,502	\$ 26,537,288
Current receivables (Note 4)	16,283,056	3,809,392	20,092,448
Internal balances	25,862	(25,862)	-
Special assessments receivable	883,596	-	883,596
Lease receivable	9,410,000	-	9,410,000
Net pension asset	1,169,000	-	1,169,000
Restricted assets (Note 8)	-	15,165,507	15,165,507
Capital assets - Net (Note 5)	19,582,750	94,727,098	114,309,848
Total assets	71,174,050	116,393,637	187,567,687
Liabilities			
Accounts payable	747,758	1,282,863	2,030,621
Accrued and other liabilities	1,310,062	582,324	1,892,386
Due to fiduciary funds (postretirement)	410,542	-	410,542
Deferred revenue (Note 4)	23,066,220	-	23,066,220
Long-term debt (Note 7):			
Due within one year	1,828,283	307,208	2,135,491
Due in more than one year	9,360,000	2,252,135	11,612,135
Compensated absences and general liability claims:			
Due within one year	220,000	-	220,000
Due in more than one year	1,884,600	-	1,884,600
Total liabilities	38,827,465	4,424,530	43,251,995
Net Assets			
Invested in capital assets - Net of related debt	17,804,467	92,167,755	109,972,222
Restricted:			
Public safety	3,624,614	-	3,624,614
Drug enforcement	1,331,197	-	1,331,197
Debt Service and capital improvements	-	15,165,507	15,165,507
Special assessments	2,452,667	-	2,452,667
Other purposes	43,456	-	43,456
Unrestricted	7,090,184	4,635,845	11,726,029
Total net assets	<u>\$ 32,346,585</u>	<u>\$ 111,969,107</u>	<u>\$ 144,315,692</u>

Charter Township of West Bloomfield

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,063,243	\$ 147,184	\$ 32,098	\$ -
District Court	838,927	782,329	-	-
Public safety:				
Police	10,435,595	409,838	51,754	-
Fire	9,602,570	277,536	-	-
Code enforcement	438,325	-	-	-
Building	1,018,393	1,413,844	-	-
Other	14,091	-	-	-
Public works	1,147,784	504,581	-	-
Community and economic development	921,833	65,451	-	-
Recreation and culture	1,486,205	1,611,280	274,100	-
Interest on long-term debt	349,250	-	-	-
Total governmental activities	32,316,216	5,212,043	357,952	-
Business-type activities - Water and sewer	19,284,699	16,936,793	469,223	1,413,664
Total primary government	<u>\$ 51,600,915</u>	<u>\$ 22,148,836</u>	<u>\$ 827,175</u>	<u>\$ 1,413,664</u>
General revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Franchise fees, cell tower leases, and other unrestricted revenue				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2003

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (5,883,961)	\$ -	\$ (5,883,961)
(56,598)	-	(56,598)
(9,974,003)	-	(9,974,003)
(9,325,034)	-	(9,325,034)
(438,325)	-	(438,325)
395,451	-	395,451
(14,091)	-	(14,091)
(643,203)	-	(643,203)
(856,382)	-	(856,382)
399,175	-	399,175
(349,250)	-	(349,250)
(26,746,221)	-	(26,746,221)
-	(465,019)	(465,019)
(26,746,221)	(465,019)	(27,211,240)
22,093,522	-	22,093,522
5,195,691	-	5,195,691
442,289	251,698	693,987
944,601	281	944,882
28,676,103	251,979	28,928,082
1,929,882	(213,040)	1,716,842
30,416,703	112,182,147	142,598,850
\$ 32,346,585	\$ 111,969,107	\$ 144,315,692

Charter Township of West Bloomfield

Governmental Funds Balance Sheet December 31, 2003

	General	Public Safety	Public Improvement and Building	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 10,016,538	\$ 8,085,194	\$ 891,400	\$ 4,818,725	\$ 23,811,857
Accounts receivable:					
Property taxes	7,240,864	7,013,476	-	219,105	14,473,445
Special assessments	-	-	-	883,596	883,596
Other governmental units	63,166	5,060	1,026	50,186	119,438
Interest and other	365,793	16,256	298,282	71,124	751,455
Due from other funds	347,660	-	-	1,689	349,349
Total assets	<u>\$ 18,034,021</u>	<u>\$ 15,119,986</u>	<u>\$ 1,190,708</u>	<u>\$ 6,044,425</u>	<u>\$ 40,389,140</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 330,474	\$ 350,593	\$ 58,352	\$ 8,339	\$ 747,758
Accrued wages and payroll taxes	1,183,696	-	-	-	1,183,696
Due to other funds	29,434	-	19,842	684,752	734,028
Due to other governmental units	-	-	34	3,080	3,114
Deferred revenue	11,572,676	11,144,779	-	1,232,363	23,949,818
Deposits	17,987	-	-	12,800	30,787
Total liabilities	13,134,267	11,495,372	78,228	1,941,334	26,649,201
Fund Balances					
Unreserved - Reported in:					
General Fund	4,899,754	-	-	-	4,899,754
Special Revenue Funds	-	3,624,614	1,112,480	2,480,964	7,218,058
Debt Service Funds	-	-	-	1,074,178	1,074,178
Capital Projects Funds	-	-	-	547,949	547,949
Total fund balances	4,899,754	3,624,614	1,112,480	4,103,091	13,739,939
Total liabilities and fund balances	<u>\$ 18,034,021</u>	<u>\$ 15,119,986</u>	<u>\$ 1,190,708</u>	<u>\$ 6,044,425</u>	<u>\$ 40,389,140</u>
Fund Balance - Total Governmental Funds					\$ 13,739,939
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					19,582,750
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures					883,597
Leases and other receivables are expected to be collected over several years and are not available to pay for current year expenditures					10,356,646
Accrued interest in governmental activities is not reported in the funds					(92,465)
The net pension asset is not a financial resource and is recorded only at the government-wide level					1,169,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds					(13,292,882)
Net Assets - Governmental Activities					<u>\$ 32,346,585</u>

Charter Township of West Bloomfield

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2003

	General	Public Safety	Public Improvement and Building	Other Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 11,030,730	\$ 10,729,574	\$ -	\$ 333,218	\$ 22,093,522
Licenses and permits	1,308,306	-	-	-	1,308,306
State-shared revenues	5,333,283	-	-	68,961	5,402,244
Charges for services	866,935	-	-	-	866,935
Charges to other funds	757,852	-	-	-	757,852
District Court and other fines	963,480	-	-	-	963,480
Interest	258,522	119,296	10,109	47,326	435,253
Special assessments	-	-	-	459,446	459,446
Cable franchise fees and leases	898,174	-	-	274,100	1,172,274
Other	109,023	-	-	1,618,779	1,727,802
Total revenue	21,526,305	10,848,870	10,109	2,801,830	35,187,114
Expenditures - Current					
General government	4,852,515	14,091	-	5,140	4,871,746
District Court	838,927	-	-	-	838,927
Public safety:					
Police	9,436,689	1,200,164	-	138	10,636,991
Fire	8,847,826	1,958,307	-	-	10,806,133
Code enforcement	849,610	-	-	-	849,610
Building inspection	1,019,964	-	-	-	1,019,964
Public works	35,184	-	324,826	141,387	501,397
Community and economic development	1,432,419	-	-	-	1,432,419
Recreation and culture	42,327	-	-	436,155	478,482
Pension board	2,558	-	-	-	2,558
Contribution to retiree health care	1,200,000	-	-	-	1,200,000
Capital outlay	-	-	-	580,453	580,453
Debt service	-	-	-	2,088,226	2,088,226
Total expenditures	28,558,019	3,172,562	324,826	3,251,499	35,306,906
Excess of Revenue Over (Under) Expenditures	(7,031,714)	7,676,308	(314,717)	(449,669)	(119,792)
Other Financing Sources (Uses)					
Transfers in	6,588,939	109,900	500,000	-	7,198,839
Transfers out	(500,000)	(6,566,639)	-	(132,200)	(7,198,839)
Total other financing sources (uses)	6,088,939	(6,456,739)	500,000	(132,200)	-
Net Change in Fund Balances	(942,775)	1,219,569	185,283	(581,869)	(119,792)
Fund Balances - Beginning of year	5,842,529	2,405,045	927,197	4,684,960	13,859,731
Fund Balances - End of year	\$ 4,899,754	\$ 3,624,614	\$ 1,112,480	\$ 4,103,091	\$ 13,739,939

Charter Township of West Bloomfield

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (119,792)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 1,320,172

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 45 days of year end 20,508

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) 41,878

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,031,106

Collection of building authority lease receivable is considered a revenue of the governmental funds, but not at the government-wide level (1,370,000)

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities 6,010

Change in Net Assets of Governmental Activities \$ 1,929,882

Charter Township of West Bloomfield

Proprietary Fund - Water and Sewer Fund Statement of Net Assets December 31, 2003

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,717,502
Receivables - Net	3,809,392
Due from other funds	<u>31,734</u>
Total current assets	6,558,628
Noncurrent assets:	
Restricted assets	15,165,507
Capital assets	<u>94,727,098</u>
Total noncurrent assets	<u>109,892,605</u>
Total assets	116,451,233
Liabilities	
Current liabilities:	
Accounts payable	1,282,863
Accrued and other liabilities	561,881
Due to other funds	<u>57,596</u>
Total current liabilities	1,902,340
Current liabilities payable from restricted assets:	
Accrued interest	20,443
Current portion of county bonds	<u>307,208</u>
Total current liabilities payable from restricted assets	327,651
Noncurrent liabilities - Long-term debt - Net of current portion	<u>2,252,135</u>
Total liabilities	<u>4,482,126</u>
Net Assets	
Investment in capital assets - Net of related debt	92,167,755
Restricted	15,145,064
Unrestricted	<u>4,656,288</u>
Total net assets	<u><u>\$ 111,969,107</u></u>

Charter Township of West Bloomfield

Proprietary Fund - Water and Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	Enterprise Fund - Water and Sewer
Operating Revenue	
Sale of water	\$ 8,955,678
Sewage disposal charges	7,014,851
Interest and penalty charges	305,909
Installation fees	223,754
Other charges for services	193,160
Total operating revenue	16,693,352
Operating Expenses	
Cost of water purchased	7,881,103
Cost of sewage treatment	5,455,106
Distribution and collection system	2,442,430
Billing and administrative costs	506,012
Municipal service charge	860,900
Depreciation	1,905,117
Total operating expenses	19,050,668
Operating Loss	(2,357,316)
Nonoperating Revenue (Expense)	
Water debt charges	170,077
Investment income	325,343
Interest expense	(234,031)
Loss - Before capital contributions	(2,095,927)
Capital Contributions	
Customer assessments (connection fees, transmission, and capital charges)	826,750
Water and sewer lines donated by developers	586,914
Oakland County environmental grant	469,223
Total capital contributions	1,882,887
Change in Net Assets	(213,040)
Net Assets - Beginning of year	112,182,147
Net Assets - End of year	<u><u>\$ 111,969,107</u></u>

Charter Township of West Bloomfield

Proprietary Fund - Water and Sewer Fund Statement of Cash Flows Year Ended December 31, 2003

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 17,034,484
Payments to suppliers	(16,480,017)
Payments to employees	(1,244,618)
Internal activity - Payments to other funds	127,244
Net cash used in operating activities	(562,907)
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	2,259,010
Purchase of capital assets	(1,362,937)
Water debt charges	170,077
Payments received from Oakland County	329,646
Principal and interest paid on capital debt	(4,309,197)
Net cash used in capital and related financing activities	(2,913,401)
Cash Flows from Investing Activities - Interest received on investments	252,587
Net Decrease in Cash and Cash Equivalents	(3,223,721)
Cash and Cash Equivalents - Beginning of year	17,918,116
Cash and Cash Equivalents - End of year	\$ 14,694,395
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 2,717,502
Restricted investments (Note 3)	11,976,893
Total cash and cash equivalents	\$ 14,694,395
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (2,357,316)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,905,117
Changes in assets and liabilities:	
Receivables	341,132
Due from other funds	30,559
Accounts payable	(473,937)
Due to other funds	115,788
Accrued and other liabilities	(124,250)
Net cash used in operating activities	\$ (562,907)

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2003, the Water and Sewer Fund received approximately \$587,000 of lines donated by developers.

Charter Township of West Bloomfield

Fiduciary Funds Statement of Net Assets December 31, 2003

	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 9,265,593	\$ 15,183,937
Investments (Note 3):		
Stocks	27,699,393	-
Bonds	17,742,860	-
Real estate	1,454,324	-
Other	143,969	-
Due from other funds	410,542	-
Other assets	28,173	64
Total assets	56,744,854	<u><u>\$ 15,184,001</u></u>
Liabilities		
Accounts payable	-	\$ 1,128
Due to other governments	-	12,492,479
Cash bonds and deposits	-	2,655,379
Other liabilities	-	35,015
Total liabilities	-	<u><u>\$ 15,184,001</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 56,744,854</u></u>	

Charter Township of West Bloomfield

Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2003

	Pension and Other Employee Benefits Trust Fund
Additions	
Investment income:	
Interest and dividends	\$ 869,318
Net increase in fair value of investments	7,178,965
Less investment expenses	<u>(185,197)</u>
Net investment income	7,863,086
Contributions:	
Employer	4,167,560
Employee	<u>193,592</u>
Total contributions	<u>4,361,152</u>
Total additions - Net of investment income	12,224,238
Deductions	
Benefit payments	1,591,097
Administrative payments	<u>473,495</u>
Total deductions	<u>2,064,592</u>
Net Increase in Net Assets Held in Trust	10,159,646
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>46,585,208</u>
End of year	<u>\$ 56,744,854</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of West Bloomfield (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of West Bloomfield:

Reporting Entity

The Charter Township of West Bloomfield is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the Township and its blended component unit, an entity for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations.

Blended Component Units - The Building Authority is governed by a Board that is appointed by the Township. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

Jointly Governed Organization - The Township is a participant with Bloomfield Township, the City of Birmingham, and the City of Bloomfield Hills in the operations of the 48th District Court. The Township advances its allocated share of District Court expenditures and receives a share of the District Court revenue based on relative case load levels. The Township's share of District Court expenditures amounted to \$834,803 for the year ended December 31, 2003, and its share of revenue amounted to \$782,312. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete audited financial statements for the District Court can be obtained from the District Court's administrative offices at 4280 Telegraph Road in Bloomfield Township.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Safety Fund - The Public Safety Fund accounts for the levy of a special millage for police and fire services.

Public Improvement and Building Fund - The Public Improvement and Building Fund finances and constructs all major capital improvement projects of the Township other than special assessment, and enterprise projects.

Water and Sewer Fund - The Township reports a single Enterprise Fund, the Water and Sewer Fund. This fund accounts for the purchase of water from Detroit and its distribution to Township water users; it also accounts for the collection of sanitary sewage and its transportation to the Detroit treatment plant.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund types:

Pension and Other Employee Benefits Trust Funds - The Pension and Other Employee Benefits Trust Funds account for the activities of the employees' retirement system, which accumulates resources for pension benefit payments to qualified general and police and fire employees and the Postretirement Health Care Plan, which accumulates resources to fund the Township's obligation to provide health care benefits to retirees.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, billing and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township's 2002 tax is levied and collectible on December 1, 2002, and is recognized as revenue in the year ended December 31, 2003, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2002 taxable valuation of the Township totaled \$3.35 billion, on which taxes levied consisted of 3.3056 mills for operating purposes, 3.2200 mills for police and fire services, and .1000 mills for debt service. This resulted in approximately \$11.1 million for operating, \$10.8 million for police and fire services, and \$335,000 for debt service. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Debt Service Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income from pooled investments is generally allocated to each fund using a weighted average method.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Customer assessments (connection fees, transmission and capital charges) collected by the Water and Sewer Fund have been restricted for future debt service payments and capital costs, in accordance with Township ordinance. In addition, assets held at Oakland County are legally restricted for payment of debt and additional capital projects.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$4,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	25-75 years
Buildings and building improvements	40-50 years
Land improvements	20-25 years
Bike paths	20-25 years
Vehicles	3-5 years
Office furnishings	20-25 years
Other tools and equipment	5-7 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is calculated for a portion of the unused sick and vacation balances, not to exceed specific policy limits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall - January 1, 2003		\$ (601,349)
Current year building permit revenue		1,308,306
Related expenses:		
Direct costs	\$ 1,018,747	
Estimated indirect costs	<u>419,860</u>	
Total construction code expenses		<u>1,438,607</u>
Cumulative shortfall - December 31, 2003		<u><u>\$ (731,650)</u></u>

The Township had no fund deficits at December 31, 2003.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments in accordance with MCL Section 129.91, as listed above.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

The Charter Township of West Bloomfield's deposits and investment policies are in accordance with statutory authority. At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government
Cash and investments	\$ 23,819,786	\$ 2,717,502	\$ 71,490,076	\$ 98,027,364
Restricted assets	-	11,976,893	-	11,976,893
Total	<u>\$ 23,819,786</u>	<u>\$ 14,694,395</u>	<u>\$ 71,490,076</u>	<u>\$ 110,004,257</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 46,744,539
Investments in securities, mutual funds, and similar vehicles	63,258,326
Petty cash or cash on hand	<u>1,392</u>
Total	<u>\$ 110,004,257</u>

Deposits

The bank balance of the Township's deposits is \$43,633,090 (without recognition of checks written but not yet cleared or of deposits in transit), of which \$1,339,155 is covered by federal depository insurance and the balance is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

Investments

The Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Township or its agent in the Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Investments subject to custodial categorization:				
Corporate bonds	\$ -	\$ -	\$ 17,742,860	\$ 17,742,860
Stocks	-	-	27,699,393	27,699,393
Commercial paper	-	2,056,306	-	2,056,306
Real estate	-	-	1,454,324	1,454,324
Other	-	-	143,969	143,969
Subtotal	<u>\$ -</u>	<u>\$ 2,056,306</u>	<u>\$ 47,040,546</u>	49,096,852
Investments not subject to categorization:				
Bank investment pool funds				12,862,456
MBIA Michigan Class investment pool				<u>1,299,018</u>
Total investments				<u>\$ 63,258,326</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools and MBIA Class investment pool are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. The MBIA-class pool is regulated by the Urban Cooperation Act. The fair value of the position in these pools is the same as the value of the pool shares.

Note 4 - Receivables

Receivables as of year end for the Township's individual major funds and the nonmajor and fiduciary funds in the aggregate are as follows:

	General Fund	Public Safety	Public Improvement and Building	Nonmajor and Other Funds	Total
Receivables:					
Taxes	\$ 7,240,864	\$ 7,013,476	\$ -	\$ 219,105	\$ 14,473,445
Other governmental units	63,166	5,060	1,026	50,186	119,438
Interest and other	<u>365,793</u>	<u>16,256</u>	<u>298,282</u>	<u>71,124</u>	<u>751,455</u>
Net receivables	<u>\$ 7,669,823</u>	<u>\$ 7,034,792</u>	<u>\$ 299,308</u>	<u>\$ 340,415</u>	15,344,338
State-shared revenue payment and other, received in fiscal year 2004, earned in 2003					<u>938,718</u>
Total					<u>\$ 16,283,056</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Property taxes levied for 2004 budget	\$ -	\$ 23,020,408
Special assessments	883,597	-
Other	<u>-</u>	<u>45,812</u>
Total	<u>\$ 883,597</u>	<u>\$ 23,066,220</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,603,051	\$ 179	\$ -	\$ 1,603,230
Construction in progress	-	1,332,410	-	1,332,410
Subtotal	1,603,051	1,332,589	-	2,935,640
Capital assets being depreciated:				
Buildings and improvements	9,072,951	58,577	-	9,131,528
Land improvements	1,946,412	21,159	-	1,967,571
Bike paths	10,578,826	244,497	-	10,823,323
Vehicles	4,728,887	548,026	276,499	5,000,414
Office furnishings	733,648	-	-	733,648
Other tools and equipment	2,957,240	401,944	621,323	2,737,861
Subtotal	30,017,964	1,274,203	897,822	30,394,345
Accumulated depreciation:				
Buildings and improvements	2,905,614	176,238	-	3,081,852
Land improvements	606,698	65,831	-	672,529
Bike paths	5,058,115	352,232	-	5,410,347
Vehicles	2,472,650	391,141	258,628	2,605,163
Office furnishings	387,978	27,878	-	415,856
Other tools and equipment	1,927,382	222,971	588,865	1,561,488
Subtotal	13,358,437	1,236,291	847,493	13,747,235
Net capital assets being depreciated	16,659,527	37,912	50,329	16,647,110
Net capital assets	\$ 18,262,578	\$ 1,370,501	\$ 50,329	\$ 19,582,750

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets (Continued)

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 456,987	\$ 28,473	\$ -	\$ 485,460
Construction in progress	-	-	-	-
Subtotal	456,987	28,473	-	485,460
Capital assets being depreciated:				
Water and sewer distribution systems	123,571,427	1,039,511	91,752	124,519,186
Buildings and building improvements	1,289,457	-	-	1,289,457
Other improvements	128,583	1,550	-	130,133
Other tools and equipment	1,960,672	385,155	1,605	2,344,222
Subtotal	126,950,139	1,426,216	93,357	128,282,998
Accumulated depreciation:				
Water and sewer distribution systems	30,269,302	1,749,506	52,867	31,965,941
Buildings and building improvements	580,820	26,144	-	606,964
Other improvements	55,611	4,636	-	60,247
Other tools and equipment	1,283,377	124,831	-	1,408,208
Subtotal	32,189,110	1,905,117	52,867	34,041,360
Net capital assets being depreciated	94,761,029	(478,901)	40,490	94,241,638
Net capital assets	<u>\$ 95,218,016</u>	<u>\$ (450,428)</u>	<u>\$ 40,490</u>	<u>\$ 94,727,098</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs as follows:

Governmental activities:

General government	\$ 211,913
Public safety:	
Police	365,520
Fire	276,263
Code enforcement	197
Building inspection	11,090
Public works	360,523
Health and welfare	
Community and economic development	1,604
Recreation and culture	<u>9,181</u>
Total governmental activities	<u>\$ 1,236,291</u>

Construction Commitments - The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fire station and headquarters	\$ 837,745	\$ 2,622,255
Police department building addition	<u>287,407</u>	<u>939,905</u>
Total	<u>\$ 1,125,152</u>	<u>\$ 3,562,160</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Water and Sewer Fund	\$ 228,077
	Drains at Large Fund	49,276
	Special Assessment Districts	70,285
	Building Authority Debt Fund	22
Nonmajor governmental funds	General Fund	317
	Water and Sewer	<u>1,372</u>
Subtotal - Governmental funds		349,349
Enterprise Funds - Water and		
Sewer Fund	Special Assessment Districts	31,734
Fiduciary Funds - Postretirement		
Health Care Fund	Special Assessment Districts	<u>410,542</u>
Total interfund balances		<u>\$ 791,625</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Public Improvement and Building Fund	\$ 500,000
Public Safety Fund	General Fund	6,566,639
Drug Enforcement Fund	General Fund	22,300
Drug Enforcement Fund	Public Safety Fund	<u>109,900</u>
Total		<u>\$ 7,198,839</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The transfer from the Public Safety Fund to the General Fund represents the transfer of the public safety millage (a special voted levy) to the General Fund, in accordance with the Township's calculation of the cost of additional police and fire personnel and police and fire related capital outlay incurred subsequent to the date of the special election. The transfer from the General Fund to the Public Improvement Fund represents the annual amount set aside of unrestricted General Fund resources for future capital improvements. The transfer from the Drug Enforcement Fund to both the General Fund and the Public Safety Fund represents the transfer of drug forfeiture resources to be used to enhance drug enforcement efforts.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. At December 31, 2003, the Township had the following debt outstanding:

Governmental Activities	Principal Outstanding
<u>County Contractual Obligations:</u>	
1993 Oakland County contract obligation for the Edwards Relief Drain, with interest of 4.7%, maturing in 2004	\$ 293,283
<u>Building Authority Bonds:</u>	
1998 Building Authority bond for Parks and Recreation Land Acquisition, with interest ranging from 3.9% to 3.95%, maturing in 2007	1,055,000
1997 Building Authority bond for Library improvements, with interest ranging from 4.4% to 4.8%, maturing in 2012	7,050,000
1998 Building Authority bond for purchase of Parks and Recreation Potomac Club, with interest of 3.55%, maturing in 2007	1,305,000

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 7 - Long-term Debt (Continued)

	Principal Outstanding
<u>Special Assessment Bonds:</u>	
1993 special assessment bonds for SAD #102, with interest of 7.4%, maturing in 2005	\$ 50,000
1999 special assessment bonds for SAD #117, with interest ranging from 4.9% to 5%, maturing in 2008	230,000
1999 special assessment bonds for SAD #120,124, with interest ranging from 4.1% to 4.25%, maturing in 2007	345,000
2001 special assessment bonds for SAD #129, with interest ranging from 4.85% to 5.1%, maturing in 2015	500,000
2000 special assessment bonds for SAD #127, with interest of 4.9%, maturing in 2009	<u>360,000</u>
Total governmental activities	<u>\$ 11,188,283</u>

Business-type Activities

County Contractual Obligations:

1999 Oakland County contract obligation for the Evergreen-Farmington sewage disposal system, with interest ranging from 4.4% to 4.85%, maturing in 2009	\$ 2,198,856
1992 Oakland County contract obligation for the Evergreen-Farmington sewage disposal system, with interest ranging from 3.5% to 6%, maturing in 2009	61,912
2001 Oakland County contract obligation for the Evergreen-Farmington sewage disposal system, with interest of 5.1%, maturing in 2009	<u>298,575</u>
Total business-type activities	<u>\$ 2,559,343</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
County contract obligations	\$ 594,389	\$ -	\$ (301,106)	\$ 293,283	\$ 293,283
Building authority bonds	10,780,000	-	(1,370,000)	9,410,000	1,285,000
Special assessment bonds	<u>1,845,000</u>	<u>-</u>	<u>(360,000)</u>	<u>1,485,000</u>	<u>250,000</u>
Total governmental activities	13,219,389	-	(2,031,106)	11,188,283	1,828,283
Business-type Activities -					
County contract obligations	<u>6,634,509</u>	<u>-</u>	<u>(4,075,166)</u>	<u>2,559,343</u>	<u>307,208</u>
Total long-term debt	<u>\$ 19,853,898</u>	<u>\$ -</u>	<u>\$ (6,106,272)</u>	<u>\$ 13,747,626</u>	<u>\$ 2,135,491</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 1,828,284	\$ 466,748	\$ 2,295,032	\$ 307,208	\$ 114,654	\$ 421,862
2005	1,605,000	395,101	2,000,101	398,531	101,431	499,962
2006	1,625,000	324,895	1,949,895	389,777	83,996	473,773
2007	1,645,000	256,607	1,901,607	452,646	66,538	519,184
2008	925,000	197,133	1,122,133	474,136	45,732	519,868
2009-2013	<u>3,560,000</u>	<u>372,672</u>	<u>3,932,672</u>	<u>537,045</u>	<u>24,593</u>	<u>561,638</u>
Total	<u>\$ 11,188,284</u>	<u>\$ 2,013,156</u>	<u>\$ 13,201,440</u>	<u>\$ 2,559,343</u>	<u>\$ 436,944</u>	<u>\$ 2,996,287</u>

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 8 - Restricted Assets

The Township's water and sewer ordinances require the proceeds from certain revenues to be segregated and used for specific purposes. Restricted assets are composed of the following:

Cash and investments	\$ 11,976,893
Customer assessments receivable	891,835
Due from other governmental units	28,846
Accrued interest and other receivables	52,015
Assets held by Oakland County	<u>2,215,918</u>
Total restricted assets	15,165,507
Accrued interest payable from restricted assets	<u>-</u>
Net restricted assets	<u>\$ 15,165,507</u>

Assets are restricted for the following purposes:

Bond interest and redemption	\$ 11,072,050
Reserve, depreciation and improvement	1,878,219
Assets held at Oakland County	<u>2,215,238</u>
Total restricted assets	<u>\$ 15,165,507</u>

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions and the Michigan Municipal League risk pool for claims relating to employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 9 - Risk Management (Continued)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2003	2002
Unpaid claims - Beginning of year	\$ 931,000	\$ 757,000
Incurred claims (including claims incurred but not reported)	679,032	258,163
Claim payments	(665,032)	(84,163)
Unpaid claims - End of year	<u>\$ 945,000</u>	<u>\$ 931,000</u>

Note 10 - Defined Benefit Pension Plan

Plan Description - The Township contributes to a single-employer defined benefit pension plan that covers police and fire employees and the general office, water and sewer, and parks and recreation department employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2002, the date of the most recent actuarial valuation, membership consisted of 138 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 293 current active employees. The plan does not issue a separate financial report.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 10 - Defined Benefit Pension Plan (Continued)

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from police and fire employees of 2 percent (there is no contribution requirement from the other employees). The funding policy provides for periodic employer contributions at actuarially determined rates.

Annual Pension Cost - For the year ended December 31, 2003, the Township's annual pension cost of approximately \$2,713,000 for the plan was equal to the Township's required contribution of approximately \$2,684,000 less interest of approximately \$71,000 on the net pension asset, plus an adjustment to the actuarially required contribution of approximately \$100,000. The Township's actual contribution was approximately \$2,938,000. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent to 17.5 percent per year, and (c) 3 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 17 years.

Trend Information

Fiscal Year Ended December 31	Annual Pension Cost	Percent Contributed	Net Pension Asset
1998	\$ 1,870,000	111	\$ 691,000
1999	1,840,000	103	760,000
2000	2,063,000	106	877,000
2001	2,007,000	112	1,113,000
2002	2,405,000	93	945,000
2003	2,713,000	108	1,169,000

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 10 - Defined Benefit Pension Plan (Continued)

Actuarial Valuation as of December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1997	\$ 30,253,510	\$ 33,211,092	\$ 2,957,582	91.1	\$ 12,166,319	24.3
1998	35,674,813	36,316,375	641,562	98.2	12,907,970	5.0
1999	40,296,028	40,572,119	276,091	99.3	13,559,230	2.0
2000	44,525,864	46,607,033	2,081,169	95.5	14,312,511	14.5
2001	47,531,143	54,307,871	6,776,728	87.5	15,070,910	45.0
2002	49,074,431	59,794,263	10,719,832	82.1	15,784,191	67.9

Note 11 - Defined Contribution Pension Plan

The Township provides additional pension benefits to most employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Township Board resolution, the Township contributes 5 percent of employees' gross earnings and employees contribute 1 percent to 10 percent. In accordance with these requirements, the Township contributed approximately \$858,000 and the employees contributed \$262,000.

Note 12 - Other Postemployment Benefits

The Township has elected to provide postemployment health benefits to all full-time employees upon retirement, in accordance with labor contracts. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. Currently, 35 retirees are eligible for postemployment health benefits. For the fiscal year ended December 31, 2003, the Township made payments for postemployment health benefit premiums of \$471,969. The benefits are paid annually from the Postretirement Health Care Fund. The government obtains health care coverage through private insurers.

Charter Township of West Bloomfield

Notes to Financial Statements December 31, 2003

Note 13 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The Township has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (sidewalks, etc.)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets include infrastructure assets (sidewalks, etc.) not previously accounted for by the Township as well as assets that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at January 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted to reflect the historical cost of the Township's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.

Required Supplemental Information

Charter Township of West Bloomfield

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 11,074,000	\$ 11,077,000	\$ 11,030,730	\$ (46,270)
Building permits	1,100,000	1,224,000	1,308,306	84,306
Cable franchise fees	600,000	580,000	647,884	67,884
State-shared revenue	6,091,000	5,340,915	5,333,283	(7,632)
Plan and site review	50,000	50,000	58,631	8,631
Fines and permits	442,000	442,000	500,312	58,312
Engineering fees	197,000	157,000	155,622	(1,378)
Administrative fees	694,000	866,400	757,852	(108,548)
District Court	980,000	777,000	782,329	5,329
Interest on investments	150,000	230,000	258,522	28,522
Sale of fixed assets	20,000	-	19,267	19,267
Contribution from Tri-Cities fire department	-	277,500	277,500	-
Miscellaneous revenue	353,000	402,000	396,067	(5,933)
Transfer in from public safety millage	7,407,000	6,316,500	6,566,639	250,139
Total revenues	29,158,000	27,740,315	28,092,944	352,629
Expenditures - General government				
Township Board	54,700	59,640	57,965	1,675
Supervisor	205,100	231,205	223,916	7,289
Elections	63,600	9,355	6,257	3,098
General services	1,075,900	688,861	654,577	34,284
Finance	475,480	510,194	493,537	16,657
Data processing	527,600	663,870	566,081	97,789
Assessor	1,005,160	940,552	904,487	36,065
Clerk	819,000	814,891	803,708	11,183
Personnel	190,600	224,762	225,351	(589)
Treasurer	596,700	666,248	645,714	20,534
New Town Hall	348,400	274,500	270,922	3,578
District Court	969,500	840,600	838,927	1,673
Pension Board	-	3,437	2,558	879
Police	9,882,588	9,684,271	9,436,689	247,582
Fire	8,766,056	9,134,099	8,847,826	286,273
Building and inspection	1,039,650	1,039,402	1,019,964	19,438
Code enforcement	335,450	508,955	447,285	61,670
Engineering	674,500	707,017	636,631	70,386
Planning and zoning	478,000	587,175	592,623	(5,448)
Environmental	324,437	427,162	402,325	24,837
Community assistance	336,500	247,630	238,349	9,281
Cable TV administration	52,500	59,651	42,327	17,324
Total expenditures	28,221,421	28,323,477	27,358,019	965,458

(Continued on next page)

Charter Township of West Bloomfield

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Excess of Revenues Over (Under) Expenditures	\$ 936,579	\$ (583,162)	\$ 734,925	\$ 1,318,087
Transfers Out (Postretirement, Public Improvement)	(2,322,400)	(1,700,000)	(1,700,000)	-
Transfers in (Drug Enforcement)	22,300	22,300	22,300	-
Total transfers	(2,300,100)	(1,677,700)	(1,677,700)	-
Surplus (Shortfall)	(1,363,521)	(2,260,862)	(942,775)	1,318,087
Fund Balance - Beginning of year	4,861,163	5,842,529	5,842,529	-
Fund Balance - End of year	<u>\$ 3,497,642</u>	<u>\$ 3,581,667</u>	<u>\$ 4,899,754</u>	<u>\$ 1,318,087</u>

Charter Township of West Bloomfield

Required Supplemental Information Budgetary Comparison Schedule Public Safety Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 10,752,000	\$ 10,725,453	\$ 10,729,574	\$ 4,121
Interest on investments	39,000	115,000	119,296	4,296
Total revenues	10,791,000	10,840,453	10,848,870	8,417
Expenditures				
Fire equipment	153,179	437,978	382,141	55,837
Police equipment	300,820	299,570	284,076	15,494
Police and fire facilities	3,195,000	2,945,445	1,497,700	1,447,745
Fire equipment, supplies, and testing	64,360	97,268	74,311	22,957
Police equipment, supplies, and testing	144,476	164,396	149,747	14,649
Health, disability, and life insurance	-	788,505	784,587	3,918
Total expenditures	3,857,835	4,733,162	3,172,562	1,560,600
Excess of Revenues Over Expenditures	6,933,165	6,107,291	7,676,308	1,569,017
Transfers to Other Funds	(7,407,000)	(6,316,500)	(6,566,639)	(250,139)
Transfers from Other Funds	109,900	109,900	109,900	-
Total transfers	(7,297,100)	(6,206,600)	(6,456,739)	(250,139)
Surplus (Shortfall)	(363,935)	(99,309)	1,219,569	1,318,878
Fund Balance - Beginning of year	2,483,554	2,405,045	2,405,045	-
Fund Balance - End of year	<u>\$ 2,119,619</u>	<u>\$ 2,305,736</u>	<u>\$ 3,624,614</u>	<u>\$ 1,318,878</u>

Charter Township of West Bloomfield

Required Supplemental Information Budgetary Comparison Schedule Public Improvement and Building Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues - Interest on investments	\$ 11,000	\$ 10,000	\$ 10,109	\$ 109
Expenditures				
Bike Path construction	665,000	603,000	244,497	358,503
Bike Path maintenance	170,000	102,000	65,021	36,979
Oakland County Tri-Party Projects	-	330,000	(36,707)	366,707
Building construction and improvements	10,000	30,000	10,536	19,464
Wayne County watershed GIS project	10,000	30,000	(12,742)	42,742
Civic Center	15,000	15,850	54,221	(38,371)
Total expenditures	870,000	1,110,850	324,826	786,024
Excess of Expenditures Over Revenues	(859,000)	(1,100,850)	(314,717)	786,133
Transfers In	500,000	500,000	500,000	-
Surplus (Shortfall)	(359,000)	(600,850)	185,283	786,133
Fund Balance - Beginning of year	400,870	927,197	927,197	-
Fund Balance - End of year	<u>\$ 41,870</u>	<u>\$ 326,347</u>	<u>\$ 1,112,480</u>	<u>\$ 786,133</u>

Charter Township of West Bloomfield

Note to Required Supplemental Information December 31, 2003

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses)”. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township did not have significant expenditure budget variances.

Other Supplemental Information

Charter Township of West Bloomfield

	Special Revenue Funds			
	Grant Fund	Drug Enforcement	Special Assessment	
			Districts	Cable
Assets				
Cash and investments	\$ 12,894	\$ 1,331,551	\$ 51,423	\$ 1,004,340
Accounts receivables:				
Property taxes	-	-	-	-
Special assessments	-	-	-	-
Other governmental units	-	-	19,449	-
Other	-	1,197	-	68,043
Due from other funds	-	-	-	-
Total assets	<u>\$ 12,894</u>	<u>\$ 1,332,748</u>	<u>\$ 70,872</u>	<u>\$ 1,072,383</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 1,551	\$ 2,225	\$ 2,908
Due to other funds	-	-	1,249	-
Due to other governmental units	-	-	-	-
Deferred revenue	-	-	-	-
Deposits	-	-	-	-
Total liabilities	-	1,551	3,474	2,908
Fund Balances - Unreserved	<u>12,894</u>	<u>1,331,197</u>	<u>67,398</u>	<u>1,069,475</u>
Total liabilities and fund balances	<u>\$ 12,894</u>	<u>\$ 1,332,748</u>	<u>\$ 70,872</u>	<u>\$ 1,072,383</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

Debt Service Funds			Capital Projects Fund			Total
Building Authority Debt	Drains at Large	Special Assessment Districts	Library Expansion Fund	Parks and Recreation Capital Fund	Special Assessment Districts	Nonmajor Governmental Funds
\$ 3,404	\$ 173,023	\$ 1,024,708	\$ -	\$ 22,192	\$ 1,195,190	\$ 4,818,725
-	219,105	-	-	-	-	219,105
-	-	331,760	-	-	551,836	883,596
-	-	19,459	-	-	11,278	50,186
-	-	1,524	-	-	360	71,124
-	-	1,564	-	-	125	1,689
<u>\$ 3,404</u>	<u>\$ 392,128</u>	<u>\$ 1,379,015</u>	<u>\$ -</u>	<u>\$ 22,192</u>	<u>\$ 1,758,789</u>	<u>\$ 6,044,425</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,655	\$ 8,339
-	-	3,962	-	22	679,519	684,752
3,080	-	-	-	-	-	3,080
-	348,765	331,762	-	-	551,836	1,232,363
-	12,800	-	-	-	-	12,800
3,080	361,565	335,724	-	22	1,233,010	1,941,334
324	30,563	1,043,291	-	22,170	525,779	4,103,091
<u>\$ 3,404</u>	<u>\$ 392,128</u>	<u>\$ 1,379,015</u>	<u>\$ -</u>	<u>\$ 22,192</u>	<u>\$ 1,758,789</u>	<u>\$ 6,044,425</u>

Charter Township of West Bloomfield

	Special Revenue Funds			
	Grant Fund	Drug Enforcement	Special Assessment	
			Districts	Cable
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
State sources	17,207	51,754	-	-
Interest income	64	15,422	364	10,847
Special assessments	-	-	43,696	-
Cable franchise fees	-	-	-	274,100
Other	-	7,499	-	-
Total revenue	17,271	74,675	44,060	284,947
Expenditures				
Current:				
General government	5,147	-	-	-
Police	-	138	-	-
Public works	-	-	45,837	-
Recreation and culture	-	-	-	436,155
Capital outlay	-	154,453	-	-
Debt service	-	-	-	-
Total expenditures	5,147	154,591	45,837	436,155
Excess of Revenue Over (Under)				
Expenditures	12,124	(79,916)	(1,777)	(151,208)
Other Financing Uses - Transfers out	-	(132,200)	-	-
Net Change in Fund Balances	12,124	(212,116)	(1,777)	(151,208)
Fund Balances - Beginning of year	770	1,543,313	69,175	1,220,683
Fund Balances - End of year	<u>\$ 12,894</u>	<u>\$ 1,331,197</u>	<u>\$ 67,398</u>	<u>\$ 1,069,475</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2003

Debt Service Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Building Authority Debt	Drains at Large	Special Assessment Districts	Library Expansion Fund	Parks and Recreation Capital Fund	Special Assessment Districts	
\$ -	\$ 333,218	\$ -	\$ -	\$ -	\$ -	\$ 333,218
-	-	-	-	-	-	68,961
976	426	8,944	138	363	9,782	47,326
-	-	184,023	-	-	231,727	459,446
-	-	-	-	-	-	274,100
<u>1,611,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,618,779</u>
1,612,256	333,644	192,967	138	363	241,509	2,801,830
-	-	-	-	-	-	5,147
-	-	-	-	-	-	138
-	-	95,543	-	-	-	141,380
-	-	-	-	-	-	436,155
-	-	157,129	19,358	58,703	190,810	580,453
<u>1,611,932</u>	<u>323,330</u>	<u>152,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,088,226</u>
<u>1,611,932</u>	<u>323,330</u>	<u>405,636</u>	<u>19,358</u>	<u>58,703</u>	<u>190,810</u>	<u>3,251,499</u>
324	10,314	(212,669)	(19,220)	(58,340)	50,699	(449,669)
-	-	-	-	-	-	(132,200)
324	10,314	(212,669)	(19,220)	(58,340)	50,699	(581,869)
-	20,249	1,255,960	19,220	80,510	475,080	4,684,960
<u>\$ 324</u>	<u>\$ 30,563</u>	<u>\$ 1,043,291</u>	<u>\$ -</u>	<u>\$ 22,170</u>	<u>\$ 525,779</u>	<u>\$ 4,103,091</u>

Charter Township of West Bloomfield

Other Supplemental Information Combining Statement of Net Assets Pension and Other Employee Benefit Trust Funds Year Ended December 31, 2003

	Pension	Post- retirement Health Care	Totals
Assets			
Cash and investments:			
Corporate bonds	\$ 17,742,860	\$ -	\$ 17,742,860
Stocks	27,699,393	-	27,699,393
Real estate	1,454,324	-	1,454,324
Other investments	143,969	-	143,969
Cash equivalents	1,118,873	8,146,720	9,265,593
Receivables	-	28,173	28,173
Due from other funds	-	410,542	410,542
Net Assets - Held in trust for pension and other employee benefits trust fund	<u>\$ 48,159,419</u>	<u>\$ 8,585,435</u>	<u>\$ 56,744,854</u>

Charter Township of West Bloomfield

Other Supplemental Information Combining Statement of Net Assets Agency Funds December 31, 2003

	Trust and Agency	Parks and Recreation Cash	Bond Refund	Escrow	Totals
Assets					
Cash and investments	\$ 12,028,727	\$ 448,940	\$ 910,415	\$ 1,795,855	\$ 15,183,937
Receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>64</u>
Total assets	<u>\$ 12,028,727</u>	<u>\$ 448,940</u>	<u>\$ 910,415</u>	<u>\$ 1,795,919</u>	<u>\$ 15,184,001</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,128	\$ 1,128
Accrued and other liabilities	35,015	-	-	-	35,015
Due to other governmental units	11,993,712	448,940	-	49,827	12,492,479
Cash bonds and deposits	<u>-</u>	<u>-</u>	<u>910,415</u>	<u>1,744,964</u>	<u>2,655,379</u>
Total liabilities	<u>\$ 12,028,727</u>	<u>\$ 448,940</u>	<u>\$ 910,415</u>	<u>\$ 1,795,919</u>	<u>\$ 15,184,001</u>

Charter Township of West Bloomfield

Other Supplemental Information Combining Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended December 31, 2003

	Pension	Postretirement Health Care	Totals
Additions			
Investment income:			
Interest and dividends	\$ 752,634	\$ 116,684	\$ 869,318
Net increase in fair value of investments	7,178,965	-	7,178,965
Less investment expenses	(185,197)	-	(185,197)
Net investment income	7,746,402	116,684	7,863,086
Contributions:			
Employer	2,937,600	1,229,960	4,167,560
Employee	193,592	-	193,592
Total additions	10,877,594	1,346,644	12,224,238
Deductions			
Benefit payments	1,591,097	-	1,591,097
Administrative expenses	-	473,495	473,495
Total deductions	1,591,097	473,495	2,064,592
Net Increase in Net Assets Held in Trust for Pension Benefits	9,286,497	873,149	10,159,646
Net Assets Held in Trust for Pension Benefits			
Beginning of year	38,872,922	7,712,286	46,585,208
End of year	<u>\$ 48,159,419</u>	<u>\$ 8,585,435</u>	<u>\$ 56,744,854</u>

June 25, 2004

Board of Trustees
Charter Township of West Bloomfield
4550 Walnut Lake Road
West Bloomfield, MI 48325

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of West Bloomfield for the year ended December 31, 2003. As a result of our audit, and in addition to our financial report, we offer the following comments for the Board's review:

NEW FINANCIAL STATEMENT FORMAT

During the current year, the Township, along with many other communities in Michigan, was required to implement a new accounting pronouncement that has changed the format and content of your financial statements. The information that was previously provided in your financial statements has been retained in the new financial statement format. In addition, the following major items have been added:

- *Management Discussion and Analysis:* Management is now required to give an overview of the Township's overall financial position and results of operations. This section provides an overview of the Township's finances, as well as major projects worked on throughout the year.
- *Government-wide Financial Statements:* These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township from a longer term perspective (i.e. are today's taxpayers paying the full cost of today's services?). These statements show capital and infrastructure assets, as well as long term debt as part of the Township's financial picture.
- *Budget Comparison:* A financial statement reader will now be able to view not only the actual revenue and expenditures of the Township as compared to the amended budget, but also as compared to the original budget.

While getting used to the new format may take a while, the GASB hopes that the new model will improve comparability of financial statements among communities and will provide a better matching of the current year's revenue sources to the full cost of services provided during that year.

Accumulating the information necessary for the new financial statement format has meant a significant amount of work for the Township's finance department. The Township's staff has worked hard preparing the necessary schedules, as well as assisting and cooperating with the audit work being done on those schedules.

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We would be happy to discuss any questions you may have about the new statements and how to best interpret the information provided.

STATE SHARED REVENUE

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 25% of the Township's total General Fund revenue for the calendar year ended December 31, 2003. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

The following depicts the Township's actual and estimated revenue sharing payments over a five year period – from the State's fiscal year ending September 30, 2001 through the fiscal year ending September 30, 2005.

	<u>Actual FY 2001</u>	<u>Actual FY 2002</u>	<u>Actual FY 2003</u>	<u>Estimated FY 2004</u>	<u>Estimated FY 2005</u>
Constitutional	\$ 4,208,908	\$ 4,251,780	\$ 4,323,761	\$ 4,287,843	\$ 4,459,258
Statutory	<u>1,649,904</u>	<u>1,531,665</u>	<u>1,308,593</u>	<u>781,000</u>	<u>572,653</u>
Total payments	<u>\$ 5,858,812</u>	<u>\$ 5,783,445</u>	<u>\$ 5,632,354</u>	<u>\$ 5,068,843</u>	<u>\$ 5,031,911</u>
Dollar change		\$ (75,367)	\$ (151,091)	\$ (563,511)	\$ (36,932)
Percentage change		-1.29%	-2.61%	-10.00%	-0.73%

While the Township's constitutional revenue sharing payments have been increasing slightly each year, (consistent with the slight rise in actual sales tax collections statewide), the statutory piece of revenue sharing has dropped approximately \$1,100,000 since 2001. For the State's fiscal year 04/05, the Governor has proposed to hold the line on revenue sharing – meaning that FY 04/05 levels will equal FY 03/04 levels – but only for cities, villages and townships. As you can see, the proposed revenue sharing for West Bloomfield for the State's fiscal year ending September 30, 2005 is \$5,031,911 which represents a reduction of approximately \$37,000 from the estimated amount for the State's fiscal year ending September 30, 2004.

Although sales tax revenue would support an increase to state shared revenue payments, the State's budget situation remains troublesome at best. It is generally acknowledged that the State's budget woes will continue for the immediate future. As a result, we continue to urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

FINANCIAL PLANNING

The situation in Michigan related to the reduction in state shared revenue is made even more tenuous given other economic factors affecting municipal finance currently and in the near future. With the exception of local governments with a growing tax base and room for more development, there are structural problems with the municipal finance model in the State. Municipalities in Michigan face numerous challenges to their ability to raise revenue and are subject to increasing costs not necessarily under their control. These factors would include the restricted growth of property tax revenue under Proposal A and the Headlee Amendment, decreased investment returns, and increasing healthcare and employee benefit costs. These items have already impacted several municipalities in Michigan where the municipality's growth in expenditures is outpacing the growth in revenues for an extended period of time. While the Charter Township of West Bloomfield is currently in good financial condition, we would encourage the Township to continually review its long range financial plans through the use of a five year plan model in order to ensure continued financial viability over the long-run.

RETIREE HEALTH CARE FUNDING

The Governmental Accounting Standards Board recently issued an exposure draft addressing the accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide pension benefits. As a result, GASB is proposing changes that would result in the Township having to have an actuarial valuation to define the liability for its Supplemental Benefit Plan, and to recommend an annual contribution. That liability would need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability, would also be disclosed.

As you know, to date the Township has been setting aside money to fund its Supplemental Benefit Plan. The Township may find that the actuarially recommended contribution will be in a higher level than the amounts set aside in recent budgets. While it will not be required to actually contribute the recommended amount, any shortfall will result in a liability being recorded in the government wide financial statements. These changes are anticipated to be effective starting in 2008.

CHANGES IN THE SINGLE AUDIT ACT

The Single Audit Act specifies the requirement for compliance auditing of federal funding received by not-for-profits and state and local governments. In 2003, legislation to amend the Single Audit Act was signed into law. These revised audit requirements are effective for audits of not-for-profit organizations and state and local governments receiving federal awards for years ending **after** December 31, 2003. The law raises the audit threshold from \$300,000 to \$500,000. This means that if a covered entity recognizes less than \$500,000 in federal expenditures in its fiscal year, then a single audit is not required. In the past, the Charter Township of West Bloomfield's federal expenditures have been at the \$300,000 level. This new act may reduce the possibility of needing a single audit in the future.

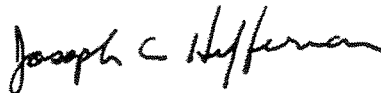
ACCOUNTS RECEIVABLE GENERAL LEDGER ACTIVITY

During the audit procedures performed on water and sewer fund accounts receivable, it was noted that the detail provided by the township had not been reconciled to the general ledger. This resulted in an unreconciled difference of approximately \$144,700 between the detail of the accounts receivable balance and the general ledger balance. It is important for these amounts to be reconciled on a regular basis as an internal control procedure to ensure that the balance reported in the general ledger is accurate and the accounts receivable operating system is working properly.

We would like to thank the Township for the continued opportunity to serve as your auditors and for the assistance and cooperation that we received from the accounting staff and the rest of the Township personnel during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Joseph C. Heffernan



Carolyn Lorenz